

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6413
BILL NUMBER: HB 1005

DATE PREPARED: Nov 17, 2000
BILL AMENDED:

SUBJECT: School to Career Program and Tax Credit.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues		(250,000)	(250,000)
State Expenditures			
Net Increase (Decrease)		(250,000)	(250,000)

Summary of Legislation: This bill establishes a certified School to Career Program. It also provides a two-year credit against state tax liability for wages paid to a participant in a certified school to career program.

Effective Date: January 1, 2001 (retroactive); July 1, 2001.

Explanation of State Expenditures: This bill creates both the School to Career Program and a tax credit for certified school to career programs. A certified program would place high school students in internships where business professionals would serve as mentors. To be eligible for the tax credit, a business must contribute money for a participant's college tuition (in addition to any regular salary). After completing the internship and the post-secondary educational requirements of the program, the participant would be required to work a minimum of two years for the sponsoring business. The Department of Workforce Development (DWD) reports that 55,218 high school students were involved in work-based learning activities in the 1999-2000 academic year, although it is not known how many would qualify as certified programs under the provisions of this bill.

The DWD and the Department of Education (DOE) would both have to approve certified school-to-work programs and adopt rules to implement these programs. The costs associated with this requirement would depend on the number of programs that must be certified.

The Department of State Revenue (DOR) would also incur some additional costs as a result of this program. The DOR would have to develop forms for the reporting of this credit, but would be able to absorb the related expenses of processing, printing, and computer programming within its current budget. A taxpayer seeking credits for program expenditures would have to submit payroll and other information to the Department. The costs to the DOR of approving expenditures would depend on the number of taxpayers that apply for credits.

Explanation of State Revenues: This bill establishes the Certified School to Career Program Payroll Credit. The credit granted would equal 20% of payroll expenditures for program interns. The Certified School to Career Program Payroll Credit is also limited to the first 400 hours of payroll expenditures each calendar year (not to exceed two years) for a participant. This credit applies to expenditures made in the taxable years of 2001 and 2002 only. A maximum of \$500,000 in total credits may be granted in FY 2002 and FY 2003 combined.

The bill allows the credit to be taken by partners or shareholders of pass-through entities. If the credit exceeds the taxpayer's total state liability in one year, the excess may be carried forward and would also be refundable (carrybacks would not be permitted). This credit may be taken against a taxpayer's Gross Income Tax, Adjusted Gross Income Tax, Supplemental Net Income Tax, Bank Tax, Savings and Loan Association Tax, Financial Institutions Tax, and Insurance Premium Tax liability. Revenue from these taxes is distributed to local units and is also deposited in the General Fund and the Property Tax Replacement Fund.

Secondary impact: If certified school to work programs are successful in enhancing the earning potential of program participants and creating employment opportunities that would otherwise not have been available, there could be future increases in individual income tax collections. Greater personal income may also result in increased revenue from other taxes, such as the Sales Tax and the Motor Vehicle Excise Tax.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Secondary impact:* If certified school to work programs are successful in enhancing the earning potential of program participants and creating employment opportunities that would otherwise not have been available, there could be positive secondary fiscal impacts for local units through local option income tax revenue.

State Agencies Affected: Department of Workforce Development, Department of Education, Department of State Revenue.

Local Agencies Affected:

Information Sources: Pat Murphy, Deputy Commissioner - External Affairs, Department of Workforce Development, (317) 233-1463.